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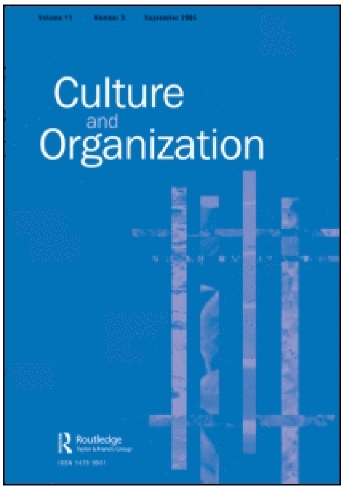
Dahles, H.

published in
Culture & Organization
2005

DOI (link to publisher)
10.1080/14759550500062342

document version
Publisher's PDF, also known as Version of record



Culture and Organization
Publication details, including instructions for authors and subscription information:
http://www.informaworld.com/smpp/title~content=t713649882

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To cite this Article Dahles, Heidi(2005) 'Culture, capitalism and political entrepreneurship: Transnational business ventures of the Singapore-Chinese in China', Culture and Organization, 11: 1, 45 — 58
To link to this Article: DOI: 10.1080/14759550500062342
URL: http://dx.doi.org/10.1080/14759550500062342

Culture and Organization, March 2005, Vol. 11(1), pp. 45–58

Culture, Capitalism and Political Entrepreneurship: Transnational Business Ventures of the Singapore-Chinese in China

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This article analyses the transnational practices of Singapore-Chinese companies venturing into China since the 1980s. Whereas in Western management discourse Western firms are supposed to build cross-border coalitions on rational principles, Chinese firms are said to base their economic relations in ethnic ties resulting in a high level of cultural cohesion within their business networks. However, this vision is challenged in this paper. The question is raised whether increased investments by Singapore-Chinese private and public companies in China have been due to shared cultural values, to capitalist profit seeking, or to the fact that governments have framed policies to support such investments. The paper argues in favour of a mix of the three perspectives. It is for cheap labour and untapped markets that Singapore-Chinese entrepreneurs invest in China. However, other incentives also apply. Sentimental or moral reasons may encourage the Singapore-Chinese to strengthen ties with their 'hometown' in China and other Chinese diaspora entrepreneurs in the world through economic investments. At the political level, the Singaporean government provides incentives and facilities for domestic companies to venture across borders, and acts as the main investor in trans-border joint ventures and sponsor for trade missions in China.

Key words: Ethnic Chinese Businesses; Transnational Coalitions; Singapore-to-China Investments; Political Entrepreneurship; Ethnic Linkages

INTRODUCTION

The globalisation or transnationalisation of business implies both increased competition and co-operation between enterprises worldwide in order to obtain a stronger position in the global market (Child and Faulkner, 1998). The challenge for managers leading their organizations into transnational ventures is to find a balance between competition and cooperation and to manage the tensions inherent to (business) relations that cross national and cultural boundaries. How to establish trust is a pivotal concern to managers in transnational ventures. In Western management discourse, trust is usually based on calculation of economic costs and benefits and on shared business strategies and management styles, whereas affection-based trust is dismissed as 'unprofessional' and as characteristic of an era prior to the advent of modern capitalism and the modern nation state. However, globalisation seems to challenge this point of view. In transnational business ventures an increase can be seen in networks formed on the basis of ethnicity where affection plays a significant role (Koot, Leisink, and Verweel, 2003). It seems that the risk involved in entering into business partnerships in the

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ISSN 1475-9551 print; ISSN 1477-2760 online
DOI: 10.1080/14759550500062342

complex and unpredictable global market, fuels the preoccupation of business leaders with concepts such as integration, loyalty and consensus (Koot *et al.*, 2003). Management analysts (cf. Kotkin, 1993), inspired by the unprecedented economic success of Japan and the Asian 'Tiger economies', identified primordial relations as the success formula of Asian businesses. Particularly ethnic Chinese businesses, organised in 'bamboo-networks' (Weidenbaum and Hughes, 1996), are regarded as the spearheads of Asia's economic growth as well as a major global force (Kotkin, 1993). Co-operation and trust based on cultural affinity and ethnic affiliation obviously provide a more stable fundament for successful business ventures than do Western relations rooted in 'rationality'. These voices were echoed by scholars pointing out that ethnic and cultural diversity, generating both rivalry and co-operation, may produce synergy and strength in society at large and in organizations in particular (Koot and Rath, 1987). As Koot (1996: 64) argues, 'ethnicity is a very strong organising principle and a good vehicle for social mobility, because it rallies people of all ranks and ages and is synonymous with solidarity'.

While conditions under flexible capitalism (Sennett, 1998) fuelled the revival of a romantic portrayal of an identification with the organization in trendy terms as commitment, loyalty or consensus, a vivid debate emerged in academic literature about the factors pertaining to the Chinese dominance of business life in Southeast Asia and beyond. The image of the networking, family-based, flexible overseas Chinese business has become a trope in the literature on transnational relations in contemporary Southeast Asia. Coupled with the capacity for hard work and trust based on blood ties or ritual kinship, Chinese business networks seem to distinguish Chinese capitalism and seem to have engendered the economic success of the overseas Chinese where others failed (Redding, 1990). Conversely, narratives of Chinese capitalism emphasize the instrumental character of business strategies among overseas Chinese, downplaying cultural facets of the ways in which business deals are generated, negotiations are conducted, and co-operative ventures are settled (Gomez, 1999; Jesudason, 1989; Thireau and Hua, 1999). Other scholars argue that the legendary entrepreneurial spirit is not a cultural trait of the overseas Chinese, but an adaptation to life in the colonial and post-colonial economies of Southeast Asia, in which they were allocated positions that furthered the interests of the ruling elites, colonial and national alike (cf. McVey, 1992; Ong and Nonini, 1997).

Turning to Singapore, it should be noted that this city-state forms the only example of a section of the Chinese 'diaspora' constituting itself 'not as an ethnic minority, but as a majority in its own state' (Cohen, 1997: 90). And a strong state it is. The remarkable success of the Singaporean economy has to be understood against the background of a state which is the largest investor in and proprietor of domestic enterprises. One area, which has received ample support by the Singapore government, is business investments across the national border. After decades of inviting in foreign companies to invest in the Singaporean economy, the government started to expand economic activities to other parts of Asia and the West. In the mid-1980s with China re-entering the world economy and Singapore craving for new markets to overcome economic recession, the Singapore-Chinese companies were among the first to invest in China.

In this article the question will be raised whether increased investments by Singaporean Chinese businesses abroad and in China, in particular, are related to *guanxi*, ethnic ties and shared cultural values, to capitalist profit seeking, or to government interventions. To obtain an in-depth understanding of the push and pull factors at work, this paper will analyse the business practices of Singapore-Chinese companies venturing across borders in general and into China in particular. Based on a number of case studies, the ways in which business partnerships between Singapore-Chinese and mainland Chinese companies come about will be investigated in terms of cultural, economic and political triggers.

CULTURE, CAPITALISM OR POLITICS: THE DEBATE

There are strong arguments that point into the direction of ongoing preferences among Chinese entrepreneurs in East and Southeast Asia to co-operate within ethnic Chinese business networks. These preferences may strengthen business relations among ethnic Chinese and carry investments into mainland China. Economically, the government of the People's Republic of China (PRC) established special economic zones (SEZs) in the 1980s for the specific purpose of attracting foreign investment with promises of a huge market and cheap labour. At the same time, the Chinese government stimulated ethnic Chinese investment by breathing new life into the old fabric of *Qiaoxiang* (hometown) relations (Douw, 1999). Donations were welcomed for all kinds of public uses, infrastructure, schools, libraries, temples and ancestral halls. *Qiaoxiang* ties also acted as a catalyst for intensified economic co-operation. Chinese capitalism has been described in terms of a 'network capitalism' characterized by both hierarchical relationships within the family and a system of reciprocal relationships known as *guanxi*. Chinese business ventures consisting of independent firms loosely structured in a multi-firm business group (Hefner, 1998) or 'bamboo network' (Weidenbaum and Hughes, 1996) have been traced to a Confucian value system that presumably emphasizes harmony and consensus, trust and responsibilities towards the lineage (cf. Fukuyama, 1995; Kotkin, 1993; Redding, 1990). It has been argued that this centrality of the family as a fundamental unit of social and economic organization gives the overseas Chinese their sense of Chineseness (cf. Yeung and Olds, 2000). The central argument of this 'culturalist' approach is that institutions, norms and practices of ethnic Chinese businessmen have facilitated the growth of their enterprises and the emergence of ethnic business networks.

It has, however, been questioned whether many ethnic Chinese businessmen from Southeast Asia share a bond based on common ethnic identity with each other in general and with the Chinese in China in particular. The homogenizing assumptions characteristic of the culturalist approach ignore the experiences of Chinese communities and individual Chinese entrepreneurs under specific and widely differing economic and political conditions. The 'capitalist' approach focuses on how global and local economic organization represents Chinese with opportunities (Gomez, 1999; Jesudason, 1989; Thireau and Hua, 1999). Mutual interest instead of common ethnic identity seems to characterize successful co-operative efforts among Chinese businesses across national borders (Hodder, 1996; Godley, 1999). The quest for mutual interest also accounts for the 'transnational' character of Chinese business activities. With many Chinese having relatives in Europe, North America or Australasia, they act as facilitator of complicated business arrangements and boast conspicuous connections to multinational corporations (Godley, 1999; McVey, 1992).

In this 'culture versus capitalism' debate little attention is paid to the role of the state. The impact of political power on the economic order is the decisive argument of the political economy approach which focuses on culture as an instrument for the protection of material and political interests (Gomez and Hsiao, 2001). This approach contests essentialist arguments that culture, shared identities, and value systems determine ethnic business activity. Culture and ethnicity are social phenomena that can be manipulated by governments, businessmen and community organizations in the pursuit of their own goals. As McVey (1992) points out, the overseas Chinese economic role in Southeast Asia has been determined by historical-political factors, which had little to do with Chinese culture *per se*. In the 19th and early 20th centuries, immigrants from rural areas of the coastal provinces of southern China spread all over Southeast Asia. As these poor peasant immigrants were denied access to land, they became wage labourers in the Southeast Asian colonial economies or merchants who found their market among the growing Chinese immigrant population (Cohen, 1997; Wu, 1999).

The three different perspectives are brought together in Hamilton's institutional approach which claims that the organization of business firms is largely shaped by institutional structures, business networks being the most characteristic example (Hamilton, 1996, 2000). Business networks are very useful institutional means of implementing co-operative strategies and enhancing 'institutional thickness' (Amin and Thrift, cited in: Yeung and Olds, 2000: 15) in any business system. In the context of Chinese business networks, 'institutional thickness' can be generally represented by the strong cultural and social embeddedness of economic activities in personal relationships (*guanxi*), high levels of personal and social interaction among actors in these networks, collective representation through trade and commercial associations and informal business groupings, and the quest for mutual benefits by which all parties in a network gain through co-operation (Yeung and Olds, 2000: 15–16). While maintaining the inclusive perspective of the institutional approach, Ng (2002) argues in favour of a historical viewpoint on foreign investments by the ethnic Chinese, which identifies a shift from cultural affinity in the pre-independence period to more profit-oriented and, finally, state-led investment patterns among Singaporean businesses venturing abroad.

These perspectives provide a framework for the analysis of the strategies and practices applied by Singapore-Chinese businessmen venturing into mainland Chinese markets. An exploration of cultural, economic and political aspects of Singaporean Chinese enterprises entering China will reveal which factors account for the popularity of mainland China as an investment area since the early 1990s. Moreover, this exploration critically addresses the recent claim by Western management discourses that Chinese networks rooted in 'primordial' ties constitute a future model for successful transnational business cooperation in the global economy.

SINGAPORE BUSINESS-SCAPE, THE STATE, AND INVESTMENTS IN CHINA

In colonial times, trade and commerce were the dominant economic sectors in Singapore. Chinese businessmen, either as independent entrepreneurs or as *compradors* for British trading houses, took centre stage in the agri-businesses of rubber and pineapples, in banking, and in manufacturing. After the war, the importance of Chinese businesses even increased through the rubber boom and the expansion of Chinese banking (Visscher, 2002). Upon the establishment of Singapore as an independent city-state in 1965, its once entrepôt- and trade-based economy transformed into a labour-intensive, export-oriented, and manufacturing-based economy led by multinational companies (MNCs). The state played a prominent role in these economic transformations not only in terms of facilitator but also as a major entrepreneur. Government-linked Companies (GLCs) have become the main players in the domestic economy (Vu, 1991). The economic recession of the mid-1980s generated a re-definition of the position of Singapore as a player in the global economy revolving around two basic ideas summarized under the catch phrases 'beyond manufacturing' and 'export of services'.

The success of this economic policy propelled Singapore into the position of Asian 'Tiger Economy' characterized by two-digit annual growth rates and high living standards, but also rising labour costs and soaring real estate prices. Singapore's attractiveness as a location for foreign investors started to decline. To counteract this effect of economic growth the Singapore government initiated the process of regionalisating the economy in order to create additional incentives for foreign investors to establish business in Singapore. Only a few years upon the official inauguration of the economic co-operation with its closest neighbours, Malaysia and Indonesia, new opportunities in the transitional economies of Asia did not go unnoticed by the Singapore government which ventured into these new areas (Bolt, 2000; Chan, 2000; Chan and Tong, 2000; Tan, 1996).

Upon the establishment of diplomatic relations between Singapore and China in 1990, there has been a rapid increase in capital investments in China; Singapore being the fourth largest investor in China (behind Hong Kong/Macao, the United States and the Virgin Islands) contributing 7.5 per cent of direct foreign investment in China in 1998 (Bolt, 2000). Before 1994, over 80% of all Singaporean investment projects were situated within the provinces Guandong and Fujian, from where most Chinese Singaporeans originate. Since the mid-1990s, investments spread further north to Wuxi, Suzhou, and other places in Zhejiang, Henan and Sichuan provinces (Bolt, 2000; Chan, 2000; Tan, 1996). More recently, the expansion of investments has shifted to more peripheral areas in China, such as Yunnan and Sichuan, as the less-developed inland provinces offer attractive concessions (Chan and Tong, 2000).

The first investments in China in the early 1990s were initiated both by GLCs (construction of industrial parks) and small private companies (tourism-related real estate projects) (Bolt, 2000: 138). The latter benefited from family relationships that had been maintained through a long period of political hostility between China and Singapore. Once the establishment of diplomatic relations between the two countries relaxed travel restrictions, increasing numbers of Singaporeans have returned for purposes of ancestor worship as well as economic investments that contributed needed developmental capital (Khun, 1999). At the same time, the attitude of the Singapore government towards Chinese ethnic identity within its state boundaries changed considerably. After a period of 'Singaporisation' in which the power of the ethnically based organizations of the Chinese community was undermined, the Singapore government feels more secure to promote 'Chineseness' which has become an economic asset (Bolt, 2000). Singapore-Chinese businessmen seem to benefit from their dual identity as they can exploit the ethnic advantage by strategically playing out their Chinese identity when dealing with business people in mainland China. At the same time, their being different is what makes them attractive business partners for the mainland Chinese, as they represent the successful Asian model of modernization without westernisation (Chan and Tong, 2000).

SINGAPOREAN VENTURES INTO CHINA

The Database

For a closer look at business practices of Singapore businessmen a database consisting of 135 case studies of Singaporean companies of differing size, age and economic sector is available. These case studies were established by different researchers and for different purposes.[1] At the

[1]Twenty of these case studies were conducted in the late 1980s by the Singaporean Institute for Policy Studies in order to explore local entrepreneurship in Singapore and in particular the impact of the 1985 economic recession on existing companies and the entrepreneurial spirit of local businessmen and women in general (Lee and Low, 1990). Another 19 case studies were established in the early 1990 among small businesses in Singapore. This study was conducted for policy purposes to examine the strengths and weaknesses of this often-neglected business sector (Lai *et al.*, 1992). In the late 1990s two popularly written publications came out that focused on the success of local entrepreneurs. One of these publications contains 21 case studies, based on interviews by a journalist, that tell 'from-rags-to-riches' stories, with no other pretension than to flatter a few local millionaires and to highlight the benefits of entrepreneurship (Long, 1999). The other publication is issued by the Singapore branch of the Young Entrepreneurs' Organization (YEO), which has branches all over the world. This booklet, which contains 19 case studies established by journalists, aims at prospective young entrepreneurs and attempts to inject them with confidence in their abilities and the benefits of hard work (YEO, 1999). Six case studies were established during the author's fieldwork in Singapore in 2000. Finally, 49 case studies of Singaporean small- and medium-scale enterprises emerged from a research program co-ordinated by the author focusing on trans-border business networks in the Straits. *(cont…)*

time of establishing the case studies, the vast majority of the companies in the total sample, 110 companies, have (had) transnational business connections (in a certain phase of their development), either long-standing or recently established ones, 26 of which are including investments in China, Taiwan and Hong Kong. These figures indicate the size of the sample that is at the basis of this paper. It does not imply that the findings presented here are representative of the actual investments in China. The methodology pursued is to be positioned not in a quantitative-sociological but in a qualitative-anthropological tradition. Despite their limitations, the case studies in the sample do reveal shifting patterns in business practices and strategies among Singapore Chinese companies over roughly 15 years of transnational investments.

Below, the major trends that emerge from the case studies will be discussed, distinguishing among 'conventional', 'hybrid' and 'new' trans-border business strategies (cf. Dahles, 2002). Among the conventional strategies are ethnic business networks and government-initiated activities. 'New' strategies are observed among young Western-educated Singaporeans who strategically employ their foreign contacts to enter into business ventures in a myriad of foreign countries. A hybrid type is the MNC-subcontractor who expands business abroad by following their contractor, while at the same time benefiting from *guanxi*-based relations with family and government. Per category one exemplary case will be presented to illustrate the analysis.

Conventional Trans-Border Strategies

Among the conventional trans-border strategies an 'ethnic Chinese' and a 'Singaporean' convention have to be distinguished. This distinction marks a generation-based difference as will be explained below. Many first-generation ethnic Chinese established firms in Singapore. Besides becoming involved in the plantation economy and in banking, which resulted in large enterprises and conglomerates, first-generation Chinese started ventures which engaged in small-scale trading with China, in particular importing Chinese goods from one's ancestral village. This strategy seems to support the culturalist perspective on Chinese business networks; the latter provides evidence for the validity of the 'political economy' perspective.

Only a few Singapore-Chinese entrepreneurs in the total sample conduct business in China *exclusively*, and even fewer mention cultural links with China as a reason for their orientation on their ancestral land. Those who do, are either Chinese-born or at least Chinese-educated and with family ties in Hong Kong, Taiwan or mainland China. Filial piety or the wish to emulate one's father's success are at the basis of their business ventures. There are a few examples of eldest sons who were forced to work in the family business at an early age and lack formal education. As *Case 1* illustrates, first-generation ethnic Chinese often were market seekers (cf. Tan and Yeung, 2000: 234) in the sense of looking for markets to buy traditional Chinese products for import to Singapore where these products were traded to the local Chinese. In present-day Singapore, many of these companies that were established by the first-generation immigrants from China have been taken

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Footnote continued

Except for the 55 case studies established under the author's research program, the majority of cases in this sample has not been collected for the purpose of answering the central question of this paper. Moreover, the depth of the information provided by many of these cases and the reliability of the data do not meet academic standards. However, the case studies provide—more or less systematically—information that roughly covers the following domains: the company profile, the educational and family background of the owner, previous working experience of the owner, the motivation to start the business, the start-up capital, possible partnerships and network relationships, problems and constraints, earlier failures, major successes and growth factors, future prospects and trans-border investments.

over by the next generation(s)—this applies for the large conglomerates and the small businesses alike. In that case the company is undergoing important changes. A patriarchal way of running the business may change to a 'modern' management style as the new owner intends to put into practice what he or she has been taught in the (foreign) business school from which he or she graduated. Sometimes the younger generation aspired to a completely different career in the first place, but joined the family firm once the patriarch retired or died. The new generation is more inclined to expand foreign business connections beyond both China and Singapore, like for example the second-generation in *Case 1* who are developing the business into a modern intermediary between East and West by seeking import markets in China while exploring export markets in Europe benefiting from the emerging taste for traditional Chinese products in the West. In this scenario, the home-base Singapore acts as a hub for global trade.

Case 1: A Conventional Trans-Border Strategy

<u>Wai Tai Pte Ltd</u>
This company is an importer and distributor of 12 different brands of Chinese medicinal and non-medicinal wines which originate in the province of Guangxi and are shipped through Hong Kong. Increasingly, other alcoholic beverages compete with these traditional herb-based products, such as imported and locally brewed beers and western wines and liquors.

Teng Wai Tai, an immigrant from China, established the company as a partnership with two close friends in 1956. In 1978, the partnership was converted into a private limited company, and five years later, it was split up due to conflicts among the three founders. Teng lost the agency of the older and best selling brands to his former partners, but continued the business. In order to rebuild the company, Teng ordered his eldest son, a Singapore Polytechnic graduate, to quit his job as supervisor in a factory to help run the company. The way the company is managed has not changed since its establishment. Teng's son, who has obtained a marketing diploma, intends to make some changes once he is at the helm. One of these changes will be to take advantage of Western interest in Chinese medicine by exporting wines to Britain and the US.

Source: Lai *et al.*, 1992: 31–8

A second transnational business strategy that may count among the conventional ones is participation in government missions. This strategy emerged with the political entrepreneurship of the Singapore state and has been most prominent in traditional service sectors like construction and transportation, distribution and warehousing. Entrepreneurs in these sectors benefited from the large-scale public projects initiated by government agencies. Having established a good reputation in government circles, these entrepreneurs were invited by government agencies to join their missions abroad. Surfing government waves took them into neighbouring countries, but also as far as Taiwan and mainland China, Australia, Japan, Brazil and Europe. In many cases the economic capital of these companies still originates from traditional sources, that is, the family, but also from savings obtained through earlier business ventures (like in *Case 2*) or from government schemes or bank loans. Excellent relations with government agencies provide their main networking potential. Their motivation to venture into China and other low cost countries is to obtain raw materials and to shift production. Among the firms in this category one finds in particular factor seekers—attracted by factors of production such as cheap labour, long land leases and the availability of raw materials (cf. Tan and Yeung, 2000).

Case 2: A Conventional Government-Linked Trans-Border Strategy

Valentino Products Pte Ltd
Established in 1984 in the gift business, the company today is reputed to offer trendy and quality wrapping papers and cards in the local market and to compete successfully in the world market. The moment of starting the business was the worst possible moment, as the 1985 recession hit hard. Valentino's two founders, Singapore-Chinese with longstanding sales experiences in many different local companies, were lucky, though. A trade exhibition in Chicago in 1985 brought about important improvement. The Singaporean Trade Development Board (TDB), which sponsored Singaporean companies to participate in this trade fair, invited Valentino to join the Singapore delegation. Although no orders were forthcoming, all future inquiries from overseas were directed to the Valentino as the first local gift company to participate in such an exhibition under TDB sponsorship. Only two years later, the company had a foothold in Australia, New Zealand and the Middle East. With new products they entered the European market in 1988, while closer at home the firm acquired agency representation in Malaysia. Towards the end of the 1980 production was shifted to Thailand and Malaysia, ten years later production was moved to China altogether to cut costs further.

Source: Lai *et al.*, 1992: 31–8

The New Trans-Border Strategy

Venturing into foreign countries is most prominent among young entrepreneurs particularly in the advanced producer services sector. The success of these young businessmen no longer depends on either family or government relations. Their personal networks also comprise of linkages established during their education abroad, with former employers and colleagues, and professional associations (in contrast to traditional Chinese hometown associations). These linkages directly or indirectly provide a vehicle for establishing business contacts across the border. Moreover, more and more young entrepreneurs seek to enhance their competitiveness by acquiring international certification for their products and services.

Many Singaporean-Chinese businesses expand to other Southeast Asian or Asia Pacific countries. These countries only seem to be the stepping-stone for further expansion into Southeast Asia. Similar patterns emerge with regard to China. Business with Hong Kong, Taiwan and mainland China is clearly favoured by the young entrepreneurs in the sample. However, those who do business in China, also do business with the rest of the world. It seems that China rates among the other attractive investment areas in the global market, like India and Japan, Brazil, the Middle East, and the United States and Europe. As *Case 3* illustrates, new technology firms in particular seek business contacts in the United States for knowledge input and they enter China as market seekers for service exports. Therefore, it seems reasonable to argue that China figures as an important market; nevertheless China is only *one of the many* promising markets in the globalizing strategy of young Singaporean-Chinese entrepreneurs and it has to compete with other areas in the world. As China is just another foreign country, cultural (sentimental) affinity may not play a prominent role, whereas capitalist considerations certainly constitute the major reason for these young businessmen to venture into China.

Case 3: A New Trans-Border Strategy

Digital Applies Research and Technology (DART)
DART was set up in 1983 as a husband-and-wife partnership. It provides customized software to clients and services such as software development, hardware installation, end-user

training and future maintenance. Its founders and owners, Mr. and Mrs. Lin, both hold postgraduate degrees in electrical engineering from the Massachusetts Institute of Technology. While studying in Boston they encountered students and faculty members who were innovative and involved in product development for industry, part-time consultancy and their own small companies. This surrounding provided the stimulus for the Lins to start their own company in Singapore. Upon their return home they first obtained jobs at the Ministry of Defense to develop and implement a major computer network. Once this project was finished, Mr. Lin resigned, and with their savings and Mrs. Lin's salary they started their own small office in Singapore's central business district, hunting around for orders. Through their Ministry of Defense connections they obtained a large contract in the first year, which enabled them to attract four new staff members and to move office into the Singapore Science Park—an ideal business environment for such an advanced service company. In consecutive years, DART expanded abroad, installing computer networks in Indonesia and China. The next step is to enter the US market because 'whatever is marketed in the US is sold all over the world'.

Source: Based on Lee and Low, 1990: 115–16

The Hybrid Trans-Border Strategy

A third type of trans-border movement combines conventional low-risk business strategies with innovations like product- and market-diversification and foreign investment. Trans-border investments comprise of both market and factor seeking strategies. Businesses in the New Economy sectors, in particular, enter China in search of markets for the export of knowledge (cf. *Case 4*). The preferred position of Singapore businessmen as MNC-subcontractor provides a framework to venture beyond Singapore. This strategy is basically a risk-avoiding strategy that allows a company to ride the waves of the expansion drift of its main contractor. Often, Singaporean companies in a subcontracting relationship with large Japanese or American MNCs are more or less forced to do business across the border when their contractor decided to cut costs by outsourcing or relocating some of their production in low-payment countries in the region. There are also examples of companies that emerged after their owners (former MNC-employees or subcontractors) had been introduced to foreign markets by their former employer or contractor. This venture may be supported with family-based economic capital and career-based networks, as *Case 4* demonstrates. Still, Singaporean graduates prefer to start their career in a foreign MNC in order to gain experience in business practices and learn a trade. Subsequently they start their own business as a subcontractor of their former employer, sometimes they change back and forth between being employed and starting a new business several times, and finally, if market forces work in their favour, expand their business to the global market.

Case 4: A Hybrid Trans-Border Strategy

<u>Green Apple IT Solutions (a pseudonym)</u>
Henry Chan obtained an engineering degree from Nanyang Technological University in 1990 and an MBA from an Australian University two years later. Upon his return to Singapore in 1992 he found a job as an engineer at Philips Singapore. At the time, the information technology business started to leave the launching pad, holding the promise of quick money and dynamic professional careers. After one year with Philips, Henry Chan switched to a new job at a local new technology firm only to start his own producer service business in information technology solutions ('Green Apple') with his own savings as start-up capital four years later

in 1997. The firm did well for a few months until the Asian Crisis hit. He was forced to lay off his four employees and hired himself out to foreign and local MNCs on a project basis. His father, a retired real estate agent, raised money to help re-establish 'Green Apple'. The firm made a good comeback at the end of 1998, as Henry managed to obtain a number of lucrative contracts, among others with his former employer, Philips Singapore. He now serves foreign and Singaporean MNCs which, due to the economic crisis, are forced to downscale and externalize services, which gives 'Green Apple' access to the world market. In 1999, after visiting China on a government-sponsored trade mission to China and running a few projects for foreign Singapore-based MNCs in China, he opened a Shanghai branch of the 'Green Apple'. His clients in China are private as well as state-owned enterprises requiring foreign expertise in establishing computer networks and appropriate software. In August 2000 Henry had submitted a business plan to the Singapore government in order to obtain funding for expansion business to Beijing.

Source: author, August 2000, fieldnotes

CONCLUSIONS

Singaporean trans-border investments in general and into China in particular are characterized by a shift away from the conventional strategies to the hybrid and 'new' type. The conventional 'diasporic' investment strategy is characteristic of a 'culturally more Chinese' group of Singaporean businessmen (cf. Chan and Ng, 2001: 46). This category is formed by the older generation that uses Chinese dialect as the primary means of communication and maintains a traditional outlook on life in general and on business in particular. They tend to operate family-owned companies in a patriarchal manner. This category comprises not only of first-generation Chinese, but also of their children who maintain traditional business styles, at least as long as the old generation is still around. It is basically this group that has served as the ideal type of 'ethnic Chinese business' on which culturalist perspectives on transnational Chinese business networks in East and Southeast Asia are based.

Another conventional type of trans-border investments is through a reliance on government-led initiatives. The *guanxi*-based networks of the ethnic Chinese in Singapore that were once exclusively family-oriented, have come to include relations with government agencies. In the early years of the Singaporean republic an antagonist of the networks and organizations of the Chinese business community, the state has become an important vehicle for Chinese businesses to grow and prosper. The state creates markets, facilitates technology transfer, constructs networks, provides research and development facilities, offers tenders and replaces family-dependence by state-dependence. This effect is further enhanced by the injection of the state-citizen relationship with 'Confucian' values in the political discourses, stressing Asian values and rhetorically elaborating on the detrimental effects of Westernisation. These days, Chinese diasporic relations are encouraged instead of denied for they are good for business (Mahizhnan, 1994). Although the Singaporean state is not a provider of economic capital for its entrepreneurs, it is an important provider of scholarships for studies abroad, employer for the well-educated young Singaporeans, and mediator of contacts in the global markets. The 'second generation Singapore businessman' (Chan and Ng, 2001: 46) is a creation of government-sponsored education with its stress on bilingual skills, fluency in English and Mandarin and a strong sense of national identity. This type of businessman is more westernised is his outlook on life in general and his management style and corporate culture more in particular. The younger generation may have worked in MNCs previously and therefore have the capacity to benefit from technology transfer. Hence they will be important partners to MNCs in developing the high technology industry in Singapore and in setting up joint ventures with MNCs and GLCs overseas.

No doubt, trans-border business ventures are subject to capitalist reasoning. Singaporean businessmen look for new markets, product diversification and low-cost production sites and establish co-operative ventures with private firms, state-owned companies and MNCs overseas based on mutual interest. While the number of Singaporeans expanding business to China has clearly increased since the 1990s, they also plugged into the global economy in general. The capitalist approach may explain why China is not the single best place for Singaporean Chinese to invest. From a macro-economic perspective it is a very promising market due to sheer numbers (of both potential consumers and labour). But the micro-economic perspective often teaches otherwise. China is difficult to penetrate, as the multi-layered state bureaucracy requires cautious handling. The internationally less-experienced Singaporeans may not be well equipped to deal with the complexities of doing business in China. *Qiaoxiang* ties may ease the entrance into the country, but they may also form one of the manifold obstacles that ethnic Chinese investors encounter in China (cf. Douw, Huang, and Godley, 1999). Therefore, it is a wise strategy to tap other growth markets along with the Chinese.

Moral and sentimental ties with China are not mentioned by entrepreneurs as being the basis for their business strategies, not even in the case of ‘conventional’ businesses, which are still run by the first generation-Chinese. This, however, does not necessarily mean that these ties are absent. Doing research among Singapore Chinese businessmen has shown that informants indulge in impression management *vis-à-vis* the (Western) researcher, as they feel pressured to exhibit the image of the modern businessman making rational choices. The significance of primordial ties is downplayed in favour of an exhibit of knowledge acquired through Western education and business programs. A typical example is the involvement of family members in the company as co-owners, managers or employees. Although the family still figures in ethnic Chinese business ventures in several ways, the role of the family is changing. Many Singaporeans acquire their business experience in the family firm. The family business also provides an environment conducive to a career in business, even though an individual may ultimately embark upon a different business altogether. The family often provides the money for the education of the prospective businessman/woman and the starting capital for her/his new business. This applies to ‘conventional’ and ‘new’ companies alike and extends into transnational business ventures. However, despite this prominence of the family, the patriarchal influence on business matters is dwindling. More and more young Chinese acquire their start-up capital through coalitions with friends, (former) college friends, colleagues or employers, or use their savings or their spouse’s income for business ventures. The family is not the provider of business training anymore as the family firm once has been. For Singaporeans academic education, preferably overseas, has become the *sine qua non* of a successful business career. Trained in MBA programs that convey western-based and globally shared knowledge about business practices and management strategies, it may be clear that family-based identity may not be a prominent binding factor when it comes to matters of business culture and corporate identity.

Guanxi remains the crucial factor in business deals and trans-border investments. Comparing the conventional with the new trans-border strategy, there is a shift towards individual relations beyond the ethnic group in favour of professional and institutional linkages. This reflects the transformations in the constituent forces in people’s lives. The family and ethnically based organization have come to compete with college and tertiary education (overseas), employment by foreign MNCs, membership in professional organizations and opportunities offered by government-schemes. Instead of personal bonds being replaced by formal relations, all these domains are pulled into the realm of *guanxi*. Therefore, *guanxi* is an expansive and inclusive principle providing the 'institutional thickness' that characterizes Chinese business networks.

For the time being, the hybrid trans-border strategy, an empirical manifestation of the institutional perspective, seems to be the most prominent and at the same time most successful trans-border strategy of second- and third-generation ethnic Chinese businesses. These businesses benefit from family capital, the knowledge and networks generated by a (foreign) tertiary education, and the new investment opportunities promoted by a supportive state or by MNC-related ventures. Instead of a transition from affection-based to profit-oriented and state-led strategies as Ng (2002) suggests, there is an accumulation of resources that became available to the Singapore Chinese in the course of the colonial and post-colonial development of the city-state. The multi-layered strategy emerging from the situational use of these resources fits the Singaporean business culture best as it entails the maximization of *guanxi* relations. Actually it represents a perfect marriage between capitalism, culture and the political entrepreneurship of the Singapore state.

The concept of *guanxi* may have become a trope, but it is a rather persistent one. *Guanxi* is a strategy to establish *rapport* with (potential) business partners. This *rapport*—some scholars prefer to call it 'trust'—is based in personal relationships that emphasize commonalities and similarities. These relationships are not necessarily of a primordial kind, all kinds of shared experiences—ethnic, religious, living arrangements, school and college education, club membership, etc.—may provide the fundament for *guanxi* to develop. Stripped of its mythical intertwining with Chinese ethnicity and familism, *guanxi* does not differ much from the fundaments of bonding within and between modern Western organizations. The highly individualized modes of identification observed among members of Western organizations (cf. Koot, Leisink, and Verweel, 2003) are reflected in the hybrid trans-border business strategy of Singapore-Chinese companies in which shifting coalitions and commitments with family, ethnic group, government and foreign friends are strategically deployed in order to enhance business opportunities. This is neither Eastern wisdom nor Western rationality, it is just good business in a globalizing world. Managers and scholars in the West do not need to idolize the 'East' in terms of cohesion and consensus and demonise the West in terms of fragmentation and ambiguities. The Singaporean model shows that individualized (*guanxi*-based) strategies of business cooperation represent a meaningful way to relate to business partners and organizations in a balancing act between cooperation and competition in a global market.

Acknowledgements

The major part of the data collection for this paper took place in the months of July to October 2000 in Singapore as part of the author's involvement in the WOTRO-funded international research program 'Brokers of Capital and Knowledge. Producer Services and Social Mobility in Provincial Asia, 1960–2000'. The author is indebted to the Centre for Asian Studies Amsterdam (University of Amsterdam) and the Institute or South East Asian Studies (ISEAS) in Singapore for their generous material and intellectual support. The case studies of 49 small and medium-scale Singapore Chinese enterprises were collected by Helen Kopnina in 2002–2003 as part of the NWO-sponsored Aspasia-program 'Organizational Culture in Trans-Border Region' supervised by the author.

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